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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

GSA's Federal Buildings Fund Fails To Meet Primary Objectives

The Federal Buildings Fund was established in 1972 to finance the General Services Administration's acquisition and operations of Government owned and leased buildings.

To date, the Fund has not accomplished the two primary objectives used as a basis for its establishment. It has not generated sufficient revenues for construction because it has experienced a cash flow problem since its inception. Concerning the second objective, there is no evidence of appreciable improvement in space usage because tenant agencies have to budget and pay for the space they occupy.

GAO is recommending changes to improve Fund operations and to facilitate accomplishment of the Fund's objectives.

PLRD-82-18
DECEMBER 11, 1981

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I

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the General Services Administration's Federal Buildings Fund, why it has not accomplished its primary objectives, and changes needed to improve operations.

We are sending copies of this report to the Director, Office of Management and Budget; the Administrator of General Services; and congressional committees.

Charles A. Bowsher

Comptroller General
of the United States

II

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

GSA'S FEDERAL BUILDINGS FUND FAILS TO MEET PRIMARY OBJECTIVES

D I G E S T

The Federal Buildings Fund was established in 1972 by Public Law 92-313 to finance the General Services Administration's (GSA's) acquisition and operations of Government owned and leased buildings. The Fund started operating in fiscal year 1975. Federal agencies occupying space in GSA-controlled buildings pay standard level user charges (rents) based on comparable commercial rates, which are deposited in the Fund and then made available in annual appropriation acts to GSA for construction, leasing, real property operations, and other activities.

For fiscal year 1981, the Fund will collect about $1.629 billion in rent and $5 million in other income, a combined income of $1.634 billion. (This excludes estimated income for reimbursable work of $300 million.) New obligational authority is estimated at $1.647 billion to be applied to construction, leasing, and other real property activities. (See pp. 2 and 3.)

Because of congressional and agency concerns about Fund operations, GAO made this review to determine the success of the Fund in meeting its primary objectives of (1) providing sufficient funding for construction and (2) making executive agencies more space conscious. (See p. 5.)

To date the Federal Buildings Fund has not accomplished these two primary objectives. It has not generated sufficient revenues for construction, and there is no evidence indicating that anticipated improvements in space utilization have occurred since agencies have to pay for the space they occupy.

Tear Sheet

PLRD-82-18
DECEMBER 11, 1981

LIMITED CONSTRUCTION FUNDING

From fiscal years 1975 through 1980, a total of $442 million was appropriated (including supplemental appropriations) from the Fund for construction, or an average of only $73.6 million a year. This is less than (1) the $200 to $225 million a year that GSA anticipated would be available from the Fund for construction and (2) the $115 million a year that was made available for construction through direct appropriations before the Fund was established. When it recommended establishment of the Fund, GSA believed that it needed funding considerably more than $115 million a year it was getting for construction.

There are a number of reasons the Fund has not generated sufficient revenue--cash flow--that would support a viable construction program.

--Rents collected from tenant agencies in 68 buildings, whose construction was financed through GSA borrowings (purchase contracting), are not sufficient to pay principal, interest, taxes, and operating costs on the buildings. (See p. 7.)

--The Fund expenditure for leased space has increased dramatically from $364 million in fiscal year 1975 to an estimated $722 million in fiscal year 1982. Leased buildings generally generate a minimal cash surplus for the Fund. (See p. 8.)

--Older Government-owned buildings in GSA's inventory require extensive alterations and major repairs which, along with operating costs, exceed rent income for some of these buildings. (See p. 10.)

--Administrative and legislative actions reduced Fund income by an estimated $600 million for 3 years--from fiscal years 1975 through 1977. (See p. 10.)

--The cash flow of the Fund has been affected during this period of high inflation because GSA's rental charges to agencies are fixed for 3 years. This is a self-imposed restriction on the Fund, which GSA plans to remove in fiscal year 1983. (See p. 11.)

--GSA has in its inventory a sizable amount of vacant space that does not generate revenue for the Fund. Over $11 million a year is charged to the Fund to maintain the vacant space. (See p. 11.)

In summary, the Fund has not generated sufficient revenues for construction because it has experienced a cash flow problem since its inception. The Fund was created without receiving any up-front funds and then expected to reverse the effect of prior budgetary decisions to lease rather than construct needed space. Expectations were too high. Given enough time, the Fund may overcome the cash flow problems. Supplemental funding or borrowings are needed if the process is accelerated. The outlook for the Fund providing increased revenues for construction has improved somewhat because of the refinements in the method used to compute rental rates. (See p. 13.)

The Federal Buildings Fund resources could be augmented when needed with borrowings from the Department of the Treasury or with direct appropriations. GAO did recommend in a 1979 report that, if the Congress wants to provide GSA with a financing alternative to direct Federal construction and leasing, it should limit the agency's financing authority to direct loans from the Treasury or the Federal Financing Bank. The thrust of this recommendation was included in bills introduced in the 96th and the 97th Congresses that would authorize GSA to borrow funds from the Treasury to finance public building construction; but to date, legislation has not been enacted.

Whatever approach is followed, it will be difficult, because of budgetary constraints, to reverse the trend toward increased leasing and provide for a viable construction program. Leasing has a short-term budgetary advantage because the impact is spread over several years, whereas the impact for construction is immediate and up front. (See p. 13.)

Tear Sheet

ANTICIPATED IMPROVEMENTS IN SPACE USAGE NOT ACHIEVED

In sponsoring Public Law 92-313, which created the Fund, GSA anticipated that agencies would be more economical and efficient in the use of their space in Government buildings.

There is no evidence indicating that there has been any appreciable improvement in space usage by tenant agencies or that the cost savings have occurred because agencies have to budget and pay for the space they occupy. The imposition of user charges upon Federal agencies has not brought about the substantial space reductions and cost savings that were anticipated when the Fund was established. (See pp. 15 and 16.)

SPACE REVIEWS NOT PERFORMED

GAO also noted that GSA is not performing periodic space utilization surveys or inspections as required by the Federal Property Management Regulations. In the absence of regular space inspections and surveys, GSA is not effective in promoting maximum utilization of assigned space. According to GSA, it does not have the personnel needed to make such reviews. (See p. 17.)

INFORMATION ON SPACE USAGE NOT DISCLOSED IN AGENCIES' BUDGET SUBMISSIONS TO THE CONGRESS

Agencies' annual budget requests, sent to the Congress, do not contain sufficient information to enable congressional committees to determine the trend and the effectiveness of space usage. The requests do not include information on the number of square feet assigned or space usage trends. If the amount of rent agencies owe GSA increases, agencies tend to attribute it to an increase in GSA's rental rates, when the increase may be due to additional space usage or a combination of increased usage and rental rates.

GAO believes that there should be complete disclosure on space usage and costs in agencies' budget requests sent to the Congress. (See pp. 17 and 18.)

AUTOMATED SYSTEM PROBLEMS

The two automated systems used by GSA to manage public building operations do not provide management with complete or reliable information. Deficiencies and problems with the systems have been known to GSA's Automated Data Management Services for a long time. Despite attention to the problems and the fact that GSA has attempted to correct system deficiencies, [illegible] (See pp. 20 to 23.)

RECOMMENDATIONS TO THE ADMINISTRATOR OF GENERAL SERVICES

The Administrator should:

--Require, pursuant to Federal Management Regulations, that periodic space utilization inspections and surveys be conducted to assure efficient and effective use of space. (See p. 19.)

--Place increased emphasis on correcting the deficiencies in the two automated systems which are used to manage public building operations. (See p. 23.)

RECOMMENDATIONS TO THE CONGRESS

If the Congress wants the Federal Buildings Fund to provide adequate financing for construction and reverse the trend toward leasing, it should either (1) grant GSA authority to borrow from the Treasury or (2) make direct appropriations available to the Fund to augment its resources. (See p. 14.)

The House and Senate Committees on Appropriations should require agencies to disclose in their budget requests to the Congress information on space usage and costs. (See p. 19.)

AGENCY COMMENTS

GSA generally concurred with GAO's recommendations. GSA advised GAO that it is very concerned about the Federal Buildings Fund and has testified about these concerns. (See p. 14 and app. III.)

Tear Sheet

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ABBREVIATIONS

FPMR	Federal Property Management Regulations
GAO	General Accounting Office
GSA	General Services Administration
OMB	Office of Management and Budget

CHAPTER 1

INTRODUCTION

The Public Buildings Amendments of 1972 (Public Law 92-313) established the Federal Buildings Fund to finance the General Services Administration's (GSA's) acquisition and operations of Government owned and leased buildings. The Fund started operating in fiscal year 1975. Federal departments and agencies occupying space in GSA-controlled buildings pay standard charges (rents), based on comparable commercial rates, which are deposited in the Fund and then made available in annual appropriation acts to GSA for construction, leasing, real property operations, and other activities.

The primary purposes used as a basis for establishment of the Fund were that (1) it would provide sufficient funding for construction and (2) there would be more efficient space utilization.

Among the methods for establishing rental charges that GSA considered were (1) the cost-recovery method, included in prior proposed legislation, and (2) the rent-equivalent method (commercial rate), later embodied in Public Law 92-313. Under the cost-recovery method, charges would be based on the estimated cost of operating and maintaining Government-owned buildings, the cost of leasing space, and depreciation cost on Government-owned structures. Income generated by the depreciation increment would be available to finance construction and major repairs.

GSA rejected the cost-recovery method because it believed it would not produce sufficient income to finance construction and major repairs. GSA estimated that the amount that would be available to finance capital items would be $44 million if depreciation were based on initial costs or $150 million if depreciation were based on replacement costs. GSA estimated that it would need additional appropriations of $150 million annually under the replacement-cost basis.

GSA favored the commercial-rate method because it believed this method would produce sufficient annual income to finance operating costs and enable GSA to accelerate projects construction. According to GSA, an estimated $200 to $225 million a year would be available for construction under this method.

In sponsoring Public Law 92-313, GSA said that requiring agencies to finance the cost of the space they occupy is consistent with the performance-budgeting concept under which total program costs are shown in the cost accounts of the agencies. GSA, in its testimony, assured the Congress that charging agencies rent would result in savings because Federal agencies would use less space if they were accountable for it.

Section 4 of Public Law 92-313 states that agencies rental rates "shall approximate commercial charges for comparable space and services." The law, however, does not contain any criteria or guidance for computing comparable commercial rental rates. The comparable commercial rate concept can be interpreted differently, which can affect the rent collected from agencies.

For fiscal year 1981, the Fund will collect about $1.629 billion in rent and about $5 million in other income, a combined Fund income of $1.634 billion. (This excludes estimated income for reimbursable work of $300 million.) New obligational authority, as revised, is budgeted at $1.65 billion and is to be applied to the following real property activities.

	Amount (millions)	Percent
Construction and acquisition of facilities	$ 18.12	1.1
Alteration and major repairs	180.00	10.9
Purchase contract payments	108.37	6.6
Rental of space	677.00	41.1
Real property operations	581.84	35.3
Program direction	82.18	5.0
Total	a/$1,647.51	100.0

a/GSA revised budget estimate for fiscal year 1981.

Annual billings to Federal agencies for rents are shown below:

Fiscal year	Charges (millions)
1975	a/ $952.3
1976	b/1,045.0
1977	c/1,119.5
1978	c/1,328.9
1979	c/1,402.4
1980	c/1,516.3
1981	d/1,628.5
1982	d/1,829.0

a/GSA estimate. Actual figure unavailable because of poor data base and problems with computer tapes.

b/GSA estimates $1,045 to $1,050 million. Precise figure unavailable, although GSA maintains its estimate is reliable.

c/Actual billings, including current and prior year rebills.

d/Estimated billings. GSA revised budget estimate for fiscal years 1981 and 1982 as of April 1981, taken from the Office of Management and Budget (OMB) markup report.

Seventeen agencies accounted for about 85.3 percent of estimated rent payments to GSA in fiscal year 1981, as shown below:

	FY 1981 (millions)
Health and Human Services	$ 243.4
Defense	207.7
Treasury	202.2
Justice	98.9
Interior	92.4
Agriculture	88.9
General Services Administration	86.6
Commerce	62.9
Veterans Administration	61.2
Transportation	52.1
Labor	47.0
Housing and Urban Development	33.3
Energy	30.2
Postal Service	23.0
Environmental Protection Agency	21.2
Office of Personnel Management	18.8
State	18.7
Others	240.0
Total	a/$1,628.5

a/Revised estimate as of April 1981.

COST OF OPERATING THE FEDERAL BUILDINGS FUND

The operation of the Federal Buildings Fund has added to the cost of GSA's real property management activities, such as extra cost for rent collections, accounting for revenues, and periodic appraisals needed to compute rental rates. However, the total additional costs associated with the implementation of the Fund are not identified in GSA's records.

Extra costs to administer the Fund as identified in a GSA study as of December 28, 1976, and information we obtained amount to about $2 million a year as follows:

Operation of management information systems	$1,200,000
Contract appraisals	a/415,000
Staffing	300,000
Billing costs	b/ 28,000
Total	$1,943,000

a/Average of 1978 through 1981 costs.
b/Fiscal year 1980.

OBJECTIVES, SCOPE, AND METHODOLOGY

We made this review to determine the success of the Federal Buildings Fund in meeting its primary objectives of (1) providing sufficient funding for construction and (2) making executive agencies more space conscious, causing them to better utilize the space they occupy. Since its establishment, congressional and agency concerns have been expressed about Fund operations.

We interviewed GSA officials responsible for managing the Fund and reviewed the law, committee reports, hearings, and other historical data relating to the establishment of the Fund. Also, we reviewed (1) our prior reports and congressional testimonies relating to the Fund and (2) internal GSA reports, but we did not test the accuracy of the GSA internal reports.

As shown on page 4, 17 agencies accounted for 85.3 percent of the estimated rent payments to GSA in fiscal year 1981. We selected eight of these agencies for review. We interviewed officials of the eight agencies concerning budget and space assignment and utilization and reviewed their records and budget justification sent to OMB and the Congress. The agencies we

contacted were (1) Agriculture, (2) Health and Human Services, (3) the Interior, (4) Treasury, (5) Justice, (6) Transportation, (7) Commerce, and (8) the Veterans Administration.

Our review was conducted at GSA Headquarters and two regional offices--region 7, Fort Worth, Texas, which handles the manual rents collection procedures and region 11, Washington, D.C., because of the large volume of space it assigns and controls. At GSA region 7, we interviewed officials connected with billing and collecting rent from about 27 agencies. Also, we reviewed available reports at that site. We did not probe, in detail, any one aspect of the Fund operations, but we did perform an overview of the Fund.

CHAPTER 2

HAS THE FEDERAL BUILDINGS FUND MET ITS OBJECTIVE OF PROVIDING SUFFICIENT REVENUES FOR CONSTRUCTION?

The Federal Buildings Fund has not met its objective of providing $200 to $225 million a year for construction, which GSA anticipated when the Fund was established. Since the Fund began operations in fiscal year 1975, it has not provided enough funds for construction to (1) bring about a meaningful reduction in leased space or (2) reduce the backlog of needed projects. From fiscal years 1975 through 1980, a total of $442 million was appropriated (including supplemental appropriations) from the Fund for construction, or an average of only $73.6 million a year (expressed in 1972 dollars--the year the law was enacted--this equates to $47.1 million per year). This is less than the $115 million a year that was made available through direct appropriations before the Fund was established. GSA believed that it needed considerably more than $115 million a year.

Since construction funds have been limited, GSA has relied on leasing as the only practicable method available to meet increased space needs. From fiscal years 1975 through 1981, leasing has increased from $364 million to about $677 million, an 86-percent increase.

There are several reasons why the Fund has not generated sufficient revenue to support a viable construction program. Many of these have been discussed in our prior reports and testimonies. (It should be noted that the Fund does not have an immediate cash shortage, in that it cannot meet current bills, because rent is collected from agencies quarterly in advance and not all obligations and commitments require an immediate cash outlay.) The principal factors contributing to the Fund's cash flow problems are discussed below.

PURCHASE CONTRACTING

Utilizing 3-year purchase contract authority in Public Law 92-313, GSA acquired 68 buildings, which provided about 15 million square feet of occupiable space. GSA borrowed $1.3 billion from private investors and the Federal Financing Bank to construct the buildings. The Fund has to pay, over a period not to exceed 30-years for the redemption of principal borrowed, $1.3 billion; interest on borrowings, $1.8 billion; and estimated real estate taxes, $1.3 billion. Real estate taxes are a substantial drain on the Fund resources. Such taxes are not paid on Government-owned buildings. Real estate taxes on the 68 buildings to be paid from the Fund are estimated at $24.8

million in fiscal year 1981 and $27.8 million in fiscal year 1982. In addition to principal, interest, and tax payments on the 68 buildings, the Fund has to pay for regular operating and maintenance costs.

The income collected in rent from tenant agencies in the 68 buildings is not sufficient to pay principal, interest, taxes, and operating costs. In a 1979 report (LCD-80-7, Oct. 17, 1979), we estimated that the 68 buildings generated a negative cash flow (outlays in excess of rental income) of about $45 million in fiscal year 1978. These buildings should, however, generate a positive cash flow in later years.

INCREASE IN EXPENDITURES FOR LEASED SPACE

GSA manages about 233 million square feet of space (office, storage, and special purpose but not outside parking) of which 139 million is Government-owned and 94 million is leased. The expenditure for leased space has increased dramatically from $364 million in fiscal year 1975 to an estimated $722 million in fiscal year 1982. If the present trend continues, annual leasing costs will exceed $1 billion in the next 3 to 4 years.

As we discussed in our October 17, 1979, report (LCD-80-7), Government-owned buildings have a more favorable long-term budgetary impact, from the standpoint of the Fund, than leasing but leasing has a short-term budgetary advantage. Large up-front cash outlays are required for a construction project. Since the full funding concept applies to construction (recording of total project cost as budget authority in the first year), there is a sizable impact on the budget the first year. However, over the long term, the impact on the budget for a construction project is less than for leasing and a larger surplus (receipts less outlays) is generated for the Fund. Leasing, on the other hand, has a short-term budgetary advantage because total rent payments are not recorded in the budget the first year. They are spread over the lease period and recorded annually--partial funding. However, the cumulative cash outlays for leasing over the long term are greater than for a construction project and the surplus generated for the Fund by leasing is minimal.

We have reported and testified that as a matter of budget policy, we favor the full funding concept because it more accurately discloses the total obligations associated with a project. Application of the full funding concept to construction or to acquisition projects is difficult because of the large initial outlays for such projects which have a significant impact on the national budget in the year that appropriations are approved. In times of unusually large demands on the budget, construction projects, because of their impact, are the first to be eliminated. Since sufficient funds have not been available

for construction, either from direct appropriations through fiscal year 1974 or from the Fund since it started operating in fiscal year 1975, GSA has been unable to sustain a viable construction program, and it has relied on leasing as the only practical method available to meet space needs.

Currently, the full funding concept does not apply to leasing. The total rent payments on leases (up to 20 years in some cases) to which the Government is committed are much greater than the annual lease payments that appear as budget authority in the annual appropriations acts. For example, in fiscal year 1980, annual lease payments of $575 million appear as budget authority in GSA's annual appropriation act, yet the Government is committed to over $2 billion in lease costs over the remaining life of these same leases.

The cumulative outlays on a lease spread over 20 years will be greater than the total outlays for a comparable federally constructed project. Recording the budget outlays in one year rather than in 20 increments has a greater impact for the federally constructed project in the first year.

In testimony before the Senate Committee on Environment and Public Works in January 1980, we discussed the inconsistent application of the full funding concept to construction and leasing. Also, in a May 21, 1981, letter to the Chairman, House Committee on Public Works and Transportation, we expressed the opinion that there should be a consistent application of the full funding concept to both leasing and to construction projects. So that the total budgetary impact of either a lease or a construction project is disclosed and compared uniformly, the total costs should be recorded as budget authority in the first year.

Section 802(b) of Senate bill 533, which passed the Senate in May 1981, would require the application of the full funding concept to leasing. It states that, "No lease shall be entered into unless an appropriations has first been made for the maximum cost of such lease over its entire term in the fiscal year for which an appropriations is authorized."

In commenting on this provision, the Senate Committee report (97-48) states that:

> "Under present accounting procedures, each year's new authority to lease is used by GSA to enter into leases of from one to twenty years, with only the current year's obligation counted against that authority. This omission of lease commitments for all future years from both the Executive Branch and congressional budgets, grossly understates leasing costs. It skews the decision away from construction and acquisition, and introduces a bias in favor of constantly escalating lease commitments."

NOT ALL GOVERNMENT-OWNED BUILDINGS GENERATE A POSITIVE CASH FLOW

On an overall basis, Government-owned buildings generate a positive cash flow and provide most of the surplus for the Fund. However, not all Government-owned buildings generate a positive cash flow. When the Fund was established in fiscal year 1975, it received about $3.5 billion worth of Federal buildings as contributed capital at no cost to the Fund. Many of these buildings were over 30 years old and required extensive alterations and major repairs. The amount expended for this activity plus other costs exceeded annual rent income for some older buildings. In fiscal year 1975, the backlog of alterations and major repairs was about $1 billion. About $200 million is expended annually from the Fund for this activity which is about double the level expended before establishment of the Fund.

ADMINISTRATIVE AND LEGISLATIVE ACTIONS REDUCED FUND INCOME

Administrative and legislative actions reduced Fund income for 3 years--fiscal years 1975-77. In fiscal year 1975, OMB reduced GSA's estimated space rental rates by 13 percent (about $174 million). According to OMB, the purpose of the reduction was to recognize that rates should be lower for tenants that occupy space for longer than a year. The Appropriations Committees further reduced the rates by 10 percent (about $115 million) because proposed 1975 rental rates were too high and in excess of the comparable commercial rates. Agency officials and some Members of Congress were skeptical about the Fund.

On March 10, 1975, we reported (LCD-75-325) that GSA used area-wide composite rates, made up of divergent city and suburban rates, to compute comparable commercial rates. This method ignored the fact that a specific location is a major factor in determining rental rates for buildings on the commercial market. We recommended that GSA use a building-by-building approach, which it did starting in fiscal year 1978.

For fiscal year 1976, the Appropriations Committees again reduced GSA's rates by 10 percent. For fiscal year 1977, GSA agreed with Members of Congress to reduce its rental rates by 10 percent, so that a congressionally imposed reduction would be unnecessary. For both fiscal years 1976 and 1977, OMB required GSA to develop a discounted rate for agencies which occupy the same space for an extended period of time.

GSA estimated that Fund income was reduced by $1.34 billion because of the OMB and congressional actions affecting fiscal years 1975-77 rent rates. Based on a comparison with rental income collected in fiscal year 1978, when there were no restrictions and when GSA used a building-by-building approach

to compute rates, we believe that a reasonable estimate of lost revenue in relation to the 1978 rates is about $200 million a year. Thus for the 3 years, 1975 through 1977, the total reduction of Fund income was about $600 million.

FIXED RENTAL RATES

The cash flow of the Fund has been affected during this period of high inflation because GSA's rental charges to agencies are fixed for 3 years. This is a self-imposed financial restriction on the Fund, which GSA plans to remove effective with the establishment of fiscal year 1983 rental rates.

In use at the present time is a method GSA adopted in fiscal year 1978 to determine comparable commercial rates, as required by law. Each Government owned and leased building was independently appraised and a fair annual rate comparable to commercial rent was established. New appraisals for a third of the buildings are made each year. The rental rates, based on appraisals, are used for 3 years and the rates charged tenant agencies do not increase during the period regardless of the effect of inflation on building operating costs. On the other hand, GSA leases since 1978 contain annual escalation clauses, which permit increases in operating costs and taxes. GSA lease costs paid to lessors are increasing annually but rents collected from tenant agencies increase every 3 years.

VACANT SPACE NOT GENERATING REVENUES

GSA has in its inventory a sizable amount of vacant space that does not generate revenue for the Fund. Costs to maintain this space are charged to the Fund. Vacant space and maintenance costs for fiscal years 1977 through 1980 were:

September 30,	Cost per square foot	Vacant/available square footage	Total cost
1977	$1.00	11,386,042	$11,386,042
1978	1.04	12,128,790	12,613,941
1979	1.02	11,647,945	11,880,903
a/1980	1.13	9,665,118	10,921,583

a/As of August 9, 1980.

Not all of this vacant space is suitable for assignment. In addition to the above, GSA had in its inventory a category of vacant space classified as committed or under alteration, which averaged about 2.6 million square feet a year, and vacant, to be phased out (turned over for disposal), averaging about 949,000 square feet a year.

In April 1979 we reported (LCD-79-307) that GSA had paid rent of $1.58 million for space in the Columbia Plaza Building before it was fully occupied. Also, in prior reports (LCD-78-338, Sept. 14, 1978, and LCD-77-354, Jan. 24, 1978), we reported similar findings regarding GSA's payment of $1.9 million in rent for six leased buildings while they were being altered. In our January 24, 1978, report, we recommended that GSA take appropriate steps to insure that alterations are completed by the occupancy date.

In January 1980 the Senate Committee on Environment and Public Works held hearings concerning rental payments GSA was making on unoccupied leased space. During those hearings, GSA provided a listing of vacant leased space which cost about $2.6 million per year.

PENDING LEGISLATION

In our October 1979 report (LCD-80-7), we recommended that, if the Congress wants to provide GSA with a financing alternative to direct Federal construction and leasing, it should limit the agency's financing authority to direct loans from the Treasury or the Federal Financing Bank. The thrust of our recommendation was included in Senate bill 2080 and House bill 6075. Both bills would authorize GSA to borrow from the Treasury for periods up to 30 years to construct public buildings. This mechanism was referred to as time financing. Before the close of the 96th Congress, the bills passed in the Senate and in the House, but because of differences relating to other provisions, which were not reconciled in conference, the legislation was not enacted. Again in the 97th Congress, two bills were introduced--Senate bill 533 and House bill 1938--which would, among other things, authorize GSA to borrow funds from the Treasury to finance public buildings construction. Senate bill 533 passed the Senate in May 1981 but the time-financing provision was eliminated from the bill before passage because of the Administration's plans to reduce direct borrowings from the Treasury by all Federal agencies. To date no action has been taken on House bill 1938.

CONCLUSIONS

To date the Federal Buildings Fund has not accomplished the two primary objectives used as a basis for its establishment. It has not generated sufficient revenues for construction and, as discussed in chapter 3, there is no evidence indicating that anticipated improvements in space utilization have occurred. Therefore, it could be concluded that the Fund should be abolished. However, before doing this, we believe

there should be an effective alternative funding mechanism for real property operations.

The Fund could be abolished and replaced by direct appropriations to GSA. This procedure was in effect before the Fund was established, but it was not completely effective since funding for construction was limited. Direct appropriations to GSA would eliminate the need and cost for agencies to plan and budget for space and real property services obtained from GSA. Tenant agencies would not object to this approach because once again they would obtain space free. The requirement for GSA to bill tenant agencies quarterly for space and services and to make periodic appraisals and rental computations would be eliminated.

If the Fund were eliminated, the cost of space and related services would no longer be identified as part of the total program cost for each tenant agency. In other words, the benefits of performance budgeting would be lost since total program costs would not be identified in agencies' accounts. However, if travel, personnel, and administrative costs are included as part of the program costs, then it is also reasonable to include space costs.

Another approach would be to continue with the Federal Buildings Fund and augment its resources when needed with borrowings from the Treasury or with direct appropriations.

Whatever approach is followed, it will be difficult, because of budgetary constraints, to reverse the trend toward increased leasing and provide for a viable construction program. Leasing has a short-term budgetary advantage because the impact is spread over several years whereas the impact for construction is immediate and up front. If Senate bill 533 becomes law, it would require a consistent application of the full funding concept to leasing and construction and therefore the short-term budgetary advantage of leasing would be reduced, provided there was an objective implementation of the full funding concept. Even if mandatory, the complete impact of the full funding concept to leasing could be avoided by entering into short-term leases and then renewing them periodically.

In summary, the Fund has not generated sufficient revenues for construction because it has experienced a cash flow problem since its inception. The Fund was created without receiving any up-front funds and then expected to reverse the effect of prior budgetary decisions to lease rather than construct needed space. Expectations were too high. Given enough time, the Fund may overcome the cash flow problems.

Supplemental funding or borrowings are needed if the process is to be accelerated. The outlook for the Fund providing increased revenues for construction has improved somewhat because of the refinements in the method used to compute rental rates.

RECOMMENDATION TO THE CONGRESS

If the Congress wants the Federal Buildings Fund to provide adequate financing for construction and reverse the trend toward increased leasing, it should either grant GSA authority to borrow from the Treasury or make direct appropriations to the Fund to augment its resources.

AGENCY COMMENTS

GSA advised us that it is very concerned about the Federal Buildings Fund and has testified about these concerns. (See app. III.) In its testimony, GSA expressed concern about increased leasing, and in 1980 and 1981, it supported proposed legislation which would provide for or emphasize more Federal construction and a reduction in leasing.

CHAPTER 3

ANTICIPATED IMPROVEMENTS IN SPACE USAGE NOT ACHIEVED

There is no evidence indicating that there has been any appreciable improvement in space usage by tenant agencies or that cost savings have occurred because agencies have to budget and pay for space occupied. The imposition of user charges upon Federal agencies has not brought about the substantial space reductions and cost savings that were anticipated when the Fund was established. Moreover, there is no disclosure on space usage in the agencies' annual budget requests that are submitted to the Congress.

In sponsoring Public Law 92-313, which created the Fund, GSA said that making agencies accountable for the space they use will cause them to use less. GSA anticipated that by charging agencies for space that there would be substantial economies and efficiencies in the use of space in Government buildings. Also, GSA said that review of budgets internally by review authorities in the executive branch and by the Congress would be more realistic.

According to a GSA 1970 report on the feasibility of establishing the Federal Buildings Fund, there would be savings in space costs. The report cited the following advantage:

> "Space Utilization--A prime advantage of the Federal Buildings Fund proposal is that it will substantially increase the incentive for agencies to regulate their space. The contention here is simple: If one pays for something he is less likely to be extravagant or wasteful. The benefit then would be a reduction in our current utilization rate. * * *"

The report also stated that there would be an incentive for agencies to expedite the reporting of excess space if they had to pay for the space.

SPACE UTILIZATION

According to an October 1979 report by GSA on the Federal Buildings Fund, GSA has not been able to attain any significant improvement in space utilization in the Federal community. The report stated that agencies view the GSA rent billing as uncontrollable and not related to their program performance. Agencies do not treat the user charge as a cost of doing business and have convinced their appropriations committees that the rent billing concept represents only a "pass-through" process, and is of no benefit to the taxpayer.

When the Fund started operating in fiscal year 1975, about 5 million square feet of space was returned by the agencies to GSA because the agencies did not want to pay for this space. However, most of this space was in old warehouses and because of its condition, could not be used.

Although national utilization rates reported by GSA have improved slightly since the Fund started operating, we believe that the reported utilization rates are subject to question because of (1) the method GSA used to update its space assignment records and (2) the inaccuracies in assignment records as discussed in chapter 4.

The following tabulation shows that GSA's reported space utilization rates have not varied much from 1970 to 1980, although there were fluctuations.

Fiscal year	Assigned office space	Office personnel	Utilization rate	
			Initially reported	Adjusted (note a)
	(million sq. ft.)			
1970	86.6	640,645	135	167
1971	89.2	640,988	139	171
1972	95.2	674,494	141	173
1973	104.4	715,434	146	178
1974	122.6	687,095	178	178
1975	123.7	711,255	174	174
1976	128.3	753,515	172	172
1977	131.7	779,886	169	169
1978	134.4	794,320	169	169
1979	136.3	805,803	169	169
1980	137.2	799,588	172	172

a/In 1974 GSA reclassified some special space as office space which increased the utilization rate. GSA then adjusted all prior 1974 utilization rates to reflect the reclassification of the special space.

The utilization rates reported by GSA are computed from information contained in the Public Buildings Service information system. This automated system contains information on GSA-controlled space, including (1) agencies assigned space, (2) rental rates, (3) vacancy rates for each building, (4) square footage, and (5) personnel occupying the space. The information on personnel assigned is updated on the basis of information taken from SF-81 forms (Request for Space) that are submitted by tenant agencies. The SF-81 form shows the number of authorized personnel that are scheduled to occupy the space. After the agency's request for space is satisfied, the SF-81 processing procedures do not provide for verifying the actual number of agency personnel assigned

to the space. On-board personnel may be more or less than the authorized figure shown on the SF-81 form and included in the Public Buildings Service information system. Variances between authorized and actual staffing statistics affect utilization rates.

UTILIZATION SURVEYS OR INSPECTIONS NOT PERFORMED

Executive Order 12072, dated August 16, 1978, states that the Administrator of General Services shall develop programs for the efficient acquisition and utilization of federally owned and leased space. The preceding Executive Order 11512, dated February 27, 1970, also required the Administrator to maintain plans and programs for the effective and efficient acquisition and utilization of federally owned and leased space. The Federal Property Management Regulations (FPMR), which implement law and Executive orders, requires GSA to perform periodic utilization surveys and inspections to promote efficient space utilization.

GSA is not performing periodic space utilization surveys or inspections as the FPMR requires. According to the FPMR, GSA will plan space inspections at periodic intervals. These inspections are designed to check all assigned space in a building. Surveys are made to ascertain whether a current assignment can be made more efficient. Tenant agencies are not making periodic space reviews either. The FPMR requires agencies also to survey space occupied. In the absence of regular space inspections and surveys, GSA cannot be effective in promoting maximum utilization of assigned space.

A GSA official said that GSA does not have the personnel needed to make reviews of space utilization and that staff efforts are devoted to satisfying Federal agencies requests for space. GSA estimates that about 1 staff year per region would be required to maintain an effective utilization inspection and survey program. We believe these people could be reassigned from other organizational units within the Public Buildings Service, obviating the need for additional people.

INFORMATION ON SPACE USAGE NOT DISCLOSED IN AGENCIES' BUDGET REQUESTS SENT TO THE CONGRESS

Agencies' annual budget requests sent to the Congress do not contain sufficient information to enable congressional committees reviewing the requests to determine the trend and the effectiveness of space usage by agencies. In effect, the committees are being asked to approve agency funds for rental payments to GSA without having information on the square footage used by an agency or the utilization rate per employee.

The information presented in budget justifications to the Congress for eight agencies we reviewed included information on personnel and the amount of rent to be paid to GSA but not on square footage. Therefore, the utilization rate (square footage divided by personnel equals utilization rate), which is a measure of usage effectiveness, could not be computed from the budget data. If there is an increase in the amount of rent due GSA, there is a tendency on the part of tenant agencies to attribute it to an increase in rental rates, when in fact, the increase may be due to additional space usage or to a combination of increased usage and rental rates. In many cases, the GSA rent figures in agencies' budgets were not broken out from an amount classified as other rents, communications, and utilities. This can be confusing because some agencies are occupying space obtained from GSA or leased directly by the agency. Also, figure for other rents, communications, and utilities includes rental of copying machines, ADP equipment, and other office machines.

We noted that agencies' budget requests submitted to the OMB do provide OMB with overall visibility on space usage when the amount of the request is for $1 million or more. In connection with the annual budget process, OMB guidance requires agencies to complete Form 24D (Rental Payments to GSA). This form shows rent costs, employment figures, square feet of space, and expansion space requested. We noted that, to date, the information on this form is not sufficient to compute utilization rates by space category--office, storage, and special; it does provide data on overall trends in space usage and costs.

OMB's instructions for the preparation of form 24D for fiscal year 1983 provide for more detailed information on agencies' space utilization. The 1983 form will show rent cost, square footage occupied (office and other), personnel housed, and the amount of office space (square feet) occupied per person. The new form will provide OMB with more information on space utilization and trends.

According to an OMB official, there are differences in the square footage and personnel figures reported by GSA to OMB and those reported by the tenant agencies. OMB has been unable to reconcile these figures; however, OMB uses the GSA-computed utilization rate for evaluation purposes.

CONCLUSIONS

We believe that the concept of charging agencies for space and services has not brought about significant improvements in space usage. GSA, as the Government's property manager, has not performed periodic reviews of, or devoted sufficient attention to, space utilization. There should be more emphasis on the effective use of assigned space. This would require GSA to increase its monitoring of space utilization.

In addition, we believe that there should be complete disclosure on space usage and costs in agencies' budget requests sent to the Congress. Not all increases in space cost are attributable to increases in GSA rental rates. Part of the increase is due to use of more space. In our opinion, requests for additional space should be justified in tenant agencies' budget requests.

RECOMMENDATIONS

We recommend that the Administrator of General Services require, pursuant to FPMR, that periodic space utilization inspections and surveys be conducted to assure the efficient and effective use of space.

The House and Senate Committees on Appropriations require agencies to disclose in their budget requests to the Congress information on space usage and costs. The requirement should not entail additional recordkeeping on the part of agencies since information will be prepared for OMB starting in fiscal year 1983 for agencies paying annual rents of $1 million or more.

CHAPTER 4

PROBLEMS WITH AUTOMATED SYSTEMS USED IN MANAGING FUND OPERATIONS

The two automated systems used by GSA to manage public buildings operations do not provide management with complete or reliable information. One system, an automated accounting system used to report expense-related activities, has major problems in its reports and in its design. The other system, a management information system used to control space assignments and utilization, contains inaccurate data. It costs the Fund about $11 million a year to operate the two systems. The problems noted in the systems were brought to GSA's attention in three reports--two by GSA and one by us.

FEDERAL BUILDINGS FUND ACCOUNTING SYSTEM PROBLEMS

The Federal Buildings Fund accounting system is used to track Fund expense-related activities (such as cleaning, guard services, and utility costs) and to produce monthly reports on the status of funding to levels of management within the Public Buildings Service. The problems in this automated system were highlighted in a report by a Public Buildings Service task force in May 1980. The report stated that the problems of the system could be broken down into two categories, reports and system design.

In the reports category, the problems included:

--Complex format. Reports contain both needed and unneeded information. The format is such that needed information is hard to find and use.

--Duplicate data. The same information is contained in several reports. Obligations on different reports for the same account do not agree.

--Reports are often late and do not contain all transactions pertaining to the reporting period.

System design problems were:

--Untimeliness of reports. Reports were not being received in a timely manner, and therefore, the information in the reports was of little use to the managers.

--Data input errors and lack of timely edit error correction process. Data was being miscoded when entered into the system because of a change in the editing process which was not made known to persons submitting the data. There is no edit of the obligations against prospectus limitations and no edit to prevent obligations in excess of allowance.

--Lack of query capability. The type of automated system used for the Federal Buildings Fund accounting system does not have the capability of providing up-to-date information on an as-needed basis to individual managers. This system produces periodic reports which, because of their untimeliness, necessitates the keeping of manual records to update and check the accuracy of the reports.

This report contained a number of recommendations aimed at providing timely and accurate information for determining fund status, making decisions and trend analysis, and planning. These recommendations would entail major system changes.

We issued a report to the Administrator of General Services on November 20, 1978 (LCD-78-342), on the adequacy of cost accounting and financial statements used to manage public building operations. We stated that there were operating and implementation deficiencies impairing the usefulness, completeness, and reliability of accounting and financial reporting. We stated that:

--It is virtually impossible with current records to determine how much it costs to operate and maintain any of GSA's buildings.

--The income from a building or lease is not being compared to the expenses that are reported, so that the operating results of a building or lease can be analyzed.

--Not all major improvements to buildings and leaseholds are being capitalized, so as to show the correct value of U.S. investment in these assets.

--Because of the Fund's financial statements lack such details as type of property managed and classification of expense, useful analyses of its operations or financial condition cannot be made.

We recommended in that report that the Administrator direct the Office of Finance and Public Buildings Service to:

--Develop the appropriate formats and computer programs for preparation of periodic income and cost reports for each of GSA's property units, including depreciation and a useful classification of all expenses regardless of the source of funds.

--Develop the appropriate formats and computer programs for preparation of financial statements on the Fund's condition and operating results, which will show the data for each of the principal types of property managed and the principal classes of expenditures.

--Prepare the necessary clarifying instructions and training programs to assure reasonably accurate identification on accounting entry documents of alterations and major repair expenditures that should be capitalized.

In a January 23, 1979, response to the report, GSA stated that it concurred with the recommendations, but it would require a major systems effort. GSA stated that a project to develop the necessary procedures, systems, and reports to implement the recommendations will begin during the second quarter of fiscal year 1979.

On August 5, 1981, we contacted a GSA official to determine the status of GSA's implementation of our and the Public Buildings Service task force's recommendations. The GSA official stated that the recommendations would not be fully implemented until 1983. GSA has completed phase one of the project. The objective of phase one, which addresses one of our recommendations, is to produce income statements for individual buildings from information already in the system. GSA officials said these statements are not complete because they do not include depreciation or distributive costs. Distributive costs are services done to several buildings but not charged to any one building in the group.

Phase two of the project will be to provide complete and accurate income statements by buildings. Work on the second phase has, in effect, been frozen pending the award of a new data processing services contract. GSA has a request for bid for a new contract now out to vendors and anticipates an award in late 1981. In the meantime, the Office of Finance is proceeding with efforts to include new elements in the system which will address the remaining recommendations.

PUBLIC BUILDINGS SERVICE INFORMATION SYSTEM PROBLEMS

The Public Buildings Service information system is the automated system which provides management information concerning space assignments, utilization, vacancy, and rental rates for all GSA-controlled space. A GSA Office of the Inspector General report, dated March 27, 1981, states that "GSA cannot effectively manage leased or Government-owned buildings because it has no way of knowing how much space is under its control, how much is assigned, or how much is available for occupancy."

The GSA report states that the inaccuracies in the system were caused by:

--Untimely updates. Delays in entering data into the Public Buildings Service information system resulted in a loss of about $1.6 million in rental income to the Fund.

--Inadequate support for space adjustment. The report states that reconciliation of vacant space performed at GSA's National Capitol Region resulted in a reduction of reported vacant space. The adjustments were based on the personal knowledge of the staff and not supported by survey reports.

--Decision not to report "unmarketable" space. The category of "unmarketable" space includes (1) facilities or portion of facilities containing long-term vacant space, (2) buildings removed from Space Management Division's responsibility, and (3) buildings declared excess but not accepted by the Federal Property Resources Services. Vacant and occupied space in buildings classified as unmarketable are not shown in GSA's active inventory and are not included in GSA reports of space under its control.

The above examples are just a few of the ones used in the GSA report to show the inaccuracies in the information system. We also believe that the continued updating of the system (as discussed in chapter 3) to show only authorized, not actual, personnel occupying space contributes to the inaccuracies in the information system.

CONCLUSIONS

The two automated data systems have problems and contain inaccurate data. Also, reports produced by the systems are incomplete. GSA has efforts underway to correct the deficiencies in the two systems. Also, it is in the process of contracting for new automated services. This appears to be an opportune time for GSA to correct system problems and to make system design changes.

If GSA carries out its plan to implement our and the GSA in-house recommendations, the automated systems should produce more accurate reports for management.

RECOMMENDATION

In view of the importance of having complete and accurate information available for management of public building operations and that deficiencies in the two automated systems have existed for years, we recommend that the Administrator of General Services place increased emphasis on correcting the deficiencies in the two systems.

AGENCY COMMENTS

GSA stated that it generally concurred with our recommendations but was concerned about the criticisms in the draft report dealing with the timeliness and accuracy of information. (See app. III.)

Our observations were directed collectively to the two automated systems GSA used to manage its public building operations--the accounting system and the Public Buildings Service information system--and were based, in part, on findings contained in reports by the task force and the GSA Office of the Inspector General. We did not independently test the accuracy of the GSA internal report findings.

GSA's Office of Finance officials specifically objected to the criticism in our draft about the accounting system not producing timely or accurate information. Our observations were based, in part, on the findings of the task force, but the Office of Finance officials stated that they did not agree with the task force findings concerning the timeliness of the accounting system reports.

We cannot fully substantiate or refute the accuracy of the task force findings relating to timeliness without substantial additional audit work. Therefore, we changed the final report to show that the two automated systems do not provide management with complete and reliable information.

In 1978, we reported on the deficiencies in the completeness and reliability of the accounting and financial reporting. We recommended and GSA agreed to correct the deficiencies which, to date, have not been fully implemented. In other words, we reported that the accounting system reports were not complete in 1978 and action has not been taken to fully improve the reports since then.

APPENDIX I

GAO REPORTS RELATING TO THE FEDERAL BUILDINGS FUND

Report	Actions taken by GSA
GENERAL SERVICES ADMINISTRATION'S METHOD FOR COMPUTING RENT FOR FEDERAL OCCUPIED BUILDINGS NEED FURTHER IMPROVEMENT LCD-75-325 3/10/75	
To provide a more equitable and objective method of charging agencies rent for GSA-furnished space, we recommended that GSA adopt a building-by-building approach. The objective would be to assign a rent for each Government owned and leased building that would be equivalent to commercial rent for comparable space and services as determine by an individual survey and appraisal by GSA.	GSA adopted GAO's recommendation in fiscal year 1978. Space is independently appraised and a fair annual rate comparable to commercial rate is established.
SPACE RENTAL RATES CHARGED THE DEPARTMENT OF AGRICULTURE BY THE GENERAL SERVICES ADMINISTRATION LCD-78-305 1/18/78	
No recommendations; however, we concluded that, since GSA was using the new appraisal method for determining the rental rates, the rates charged the Department of Agriculture were the same as those charged other agencies in comparable space and were accurate.	No action required by GSA.
GENERAL SERVICES ADMINISTRATION'S DEBT MANAGEMENT PROBLEMS WITH ITS PARTICIPATION CERTIFICATES LCD-79-320 7/11/79	
GAO recommended that the Administrator of General Services:	In 1980, GSA:
--Adopt a procedure providing for the independent verification of principal and interest payments. This procedure could be accomplished by the agency or by the trustee.	--Transferred responsibility for verification of periodic principal and interest payments from its Public Buildings Service to its Office of Budget.
--Require that a top agency official be assigned the responsibility for decisions relative to market purchases. This official could obtain the advice of the Treasury Department, which has expertise in this area.	--Vested overall responsibility for debt management and decisions relative to market purchases in its Assistant Administrator for Plans, Programs and Financial Management.

APPENDIX I

Action	Actions taken by GSA
FINANCIAL MANAGEMENT OF THE FEDERAL BUILDINGS FUND LCD-78-342 11/20/78	
GAO recommended that GSA's Office of Finance and Public Buildings Service: --Develop the appropriate format and computer programs for preparation of periodic income and cost reports for each of GSA's property units, including depreciation and useful classification of all expenses regardless of the source of funds. --Develop the appropriate formats and computer programs for preparation of financial statements on the Fund's condition and operating results, which will show the data for each of the principal types of property managed and the principal classes of expenditures. --Prepare the necessary clarifying instruction and training program to assure reasonably accurate identification on accounting entry documents of alterations and major repair expenditures that should be capitalized.	GAO's recommendations would not be fully implemented until 1983. GSA has completed phase one of the project, which is to produce income statements for individual buildings from information already in the system. Work on the second phase has been frozen pending the award of a new data processing contract.
COSTS AND BUDGETARY IMPACT OF THE GENERAL SERVICES ADMINISTRATION'S PURCHASE CONTRACT PROGRAM LCD-80-7 10/17/79	
GAO recommended that if the Congress decides that new legislation is warranted granting GSA purchase-contract or other additional financing authority, it should limit GSA's financing authority to direct loans from the Treasury or the Federal Financing Bank. If the Congress also decides that the Government should pay local real estate taxes on projects constructed under the new legislation, and continues to expect the Federal Buildings Fund to provide adequate resources for construction, it should offset the adverse impact of tax payments on the budget of the Fund by making either (1) separate appropriations to GSA for taxes or (2) direct appropriations to the Fund to cover tax payments.	The thrust of our recommendation was included in Senate bill 2080 and House bill 6075 introduced in the 96th Congress and in Senate bill 533 and House bill 1938 introduced in the 97th Congress. Both bills would authorize GSA to borrow from the Treasury for periods up to 30 years to construct public buildings. This mechanism was referred to as time financing.
STANDARD LEVEL USER CHARGES ASSESSED TO THE DEPARTMENT OF DEFENSE BY THE GENERAL SERVICES ADMINISTRATION LCD-80-18 10/7/79	
GAO recommended that GSA discontinue the practice of assessing higher rental rates on building improvements unless justified by increased commercial value increases and after providing adjustments for alterations financed by tenant agencies.	GSA disagreed with GAO's recommendation.

APPENDIX II

TOTAL ANNUAL RENT INCOME

BY TYPES OF SPACE

FISCAL YEARS 1981 and 1982

Type of space	Fiscal Year 1981 (note a) Total square feet	Annual rent income	Per square foot	Fiscal year 1982 (note b) Total square feet	Annual rent income	Per square foot
Office	135,642,953	$1,171,832,789	8.64	133,010,518	$1,301,096,940	9.78
General storage	7,096,812	38,910,771	5.48	7,434,021	44,878,329	6.04
Warehouse	32,665,441	65,111,896	1.99	32,879,906	71,315,220	2.17
Lab and clinic	3,796,527	53,137,534	14.00	3,713,649	56,476,850	15.21
Food service	2,844,713	39,697,533	13.95	2,725,922	45,018,664	16.52
Structurally changed	4,495,377	53,505,059	11.90	4,339,633	58,380,398	13.45
Automatic data processing	3,155,319	27,518,686	8.72	2,524,986	29,030,223	11.50
Conference and training	2,010,218	20,582,495	10.24	1,952,387	23,039,753	11.80
Light industry	10,372,823	55,244,196	5.33	10,193,577	63,358,925	6.22
Quarters/ residence	146,259	483,304	3.30	140,463	400,877	2.85
Inside parking	12,519,247	22,836,946	1.82	12,353,313	25,887,068	2.10
Outside parking	49,907,571	30,730,450	.62	52,172,195	30,691,718	.59
Total	264,653,260	$1,579,591,659	5.97	263,440,570	$1,749,574,965	6.64

a/Actual for the 4th quarter as of June 15, 1981.

b/Estimated (does not include space projection).

APPENDIX III

General
Services
Administration Washington, DC 20405

OCT 8 1981

Honorable Milton J. Socolar
Acting Comptroller General
of the United States
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Socolar:

Thank you for the opportunity to comment on the Draft GAO report GSA's FEDERAL BUILDING FUND: CHANGES ARE NEEDED IF IT IS TO MEET ITS PRIMARY OBJECTIVE (945190).

We are concerned about the criticisms in this report dealing with timeliness and accuracy of information. In the absence of hard data indicating that, in fact, there are significant problems, we believe these references should be deleted.

As you are aware, GSA is very concerned about the fund and we have testified before Committees about these concerns. Legislation is required to correct some of the structural problems in the operation of this fund. Congressional Committees are currently holding hearings on this matter and GSA expects to provide testimony.

Some data and figures on pages iii, 3, 8, and 9 may need correction. Suggested corrections are provided in the enclosure. In addition, we are enclosing comments from our Public Buildings Service which should provide further insight to our concerns.

Sincerely,

Ray Kline
Deputy Administrator

Enclosures [See GAO note below.]

GAO note: Some enclosures were omitted. They contained clarifying language, and we made changes where needed. The above reference page numbers and report title were in the draft report, but have changed in the final report.

RESPONSE TO GAO DRAFT REPORT ENTITLED, "GSA's FEDERAL BUILDINGS FUND: CHANGES ARE NEEDED IF IT IS TO MEET ITS PRIMARY OBJECTIVES" (943190)

In Chapter 4, GAO states (on page 26): one system, an automated accounting system used to report on the Fund expense-related activities has major problems in the reports it produces and in the design of its system. The accounting system is criticized on page 30 of the draft report and on page vii of the digest for not producing timely or accurate information.

Since the GAO draft report contains no details identifying which reports are late or inaccurate or the degree of such deficiencies, we asked for a meeting with GAO representatives after receipt of the draft.

Following is a summarization of some questions and answers during that meeting held on September 17, 1981:

Question by GSA:	What specific financial reports can GAO identify as being consistently late or inaccurate?
Answer by GAO:	Cannot identify any specific reports.
Question by GSA:	What is GAO's criteria for timeliness of financial reports?
Answer by GAO:	Do not have specific criteria, but 30 days might be reasonable.
Question by GSA:	What evidence does GAO have that financial reports are consistently late by the 30-day criteria or any other criteria?
Answer by GAO:	No direct evidence.
Question by GSA:	Does GAO have reason to believe that financial reports consistently contain material inaccuracies?
Answer by GAO:	No.
Question by GSA:	What, if any, deficiencies in the performance of their mission by the Public Buildings Service managers does GAO fully or partially ascribe to the absence of timely, accurate financial data?
Answer by GAO:	None.

In view of the above, we request references to inaccurate and untimely financial reports be deleted from the GAO report before it is released.

Data corrections are provided for page iii, 3, 8, and 9, are indicated on the attached text.

APPENDIX III

General Services Administration — Public Buildings Service — Washington, DC 20405

Date : OCT 2 1981

Reply to Attn of : Office of the Commissioner, PBS-P

Subject: GAO Draft Report - GSA's Federal Buildings Fund: Changes Are Needed If It Is To Meet Its Primary Objective (25-1063-B)

To : Acting Director, Audit Reports
Control Office - HEC

GSA has reviewed the GAO draft report - GSA's Federal Buildings Fund: Changes Are Needed If It Is To Meet Its Primary Objective (25-1026-B) and generally agrees with the facts contained in the report and concurs in the proposed recommendations. However, as reflected in the enclosed attachment which was included in our Fiscal Year 1982 House Appropriation Subcommittee testimony, we believe that overall the Federal Buildings Fund is based on sound principles and has been an effective vehicle in meeting to a large extent its original objectives.

We do not feel the report reflects with sufficient impetus the successes of the program or the impacts of the external decisions which have prevented the Federal Buildings Fund from fully achieving the primary objectives noted in the report. GSA has, as accurately pointed out in the report, taken significant internal actions to correct those operational areas within its authority which can and will greatly assist in the achievement of those objectives. During a time of dwindling resources, the concept of total program costs should be expanded rather than eliminated.

However, we believe that the key to major space utilization improvement is agency accountability. The original assumption that the FBF would lead to improved space usage was predicated on the understanding that agencies would be held accountable to OMB and to the Congress for the space they required. As the report notes, this has not occurred, and the improvements that have been achieved were accomplished primarily due to closer review of space requests by GSA realty specialists. If the budgeting oversight proposed in the report is emphasized, we are confident that self-policing of their space requirements by the agencies will follow. With budget reductions, space demand should decline and enable GSA to devote more resources to tighter management of the existing space inventory.

In the meantime, in an effort to more precisely establish the present agency usage of space, we intend to conduct a census of all GSA-controlled space. This annual census will be initiated early in FY 1982, and will involve each agency reporting to us its current personnel occupancy in each block of space assigned to it.

APPENDIX III

2.

GSA will continue to review the policies and procedures associated with the Federal Buildings Fund and we are hopeful that the Congress and the Office of Management and Budget will accept the thrust of the proposed recommendations contained in the report. The implementation of the recommendations coupled with the GSA actions will provide the necessary changes and make the Federal Buildings Fund an even greater success.

GSA is fully committed to the Federal Buildings Fund and will cooperate in any manner to help it achieve its full potential.

JOHN F. GALUARDI
Acting Commissioner

Enclosure

(945190)